

**PRESQUE ISLE TOWNSHIP
PRESQUE ISLE COUNTY, MICHIGAN**

Audited Financial Statements and
Other Supplementary Financial Information
Year Ended June 30, 2005

STRALEY, ILSLEY & LAMP P.C.

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name PRESQUE ISLE TOWNSHIP	County PRESQUE ISLE
Audit Date JUNE 30, 2005	Opinion Date DECEMBER 8, 2005	Date Accountant Report Submitted to State: DECEMBER 22, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) STRALEY, ILSLEY & LAMP P.C.			
Street Address 2106 U.S. 23 SOUTH P.O. BOX 738		City ALPENA	State MI
Accountant Signature Mark J. Semelko, CPA		ZIP 49707	Date 12/22/05

TABLE OF CONTENTS

ANNUAL FINANCIAL REPORT

Presque Isle Township
June 30, 2005

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (required supplementary information)	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements	
Statement of Net Assets	
Business-type Activities - Enterprise Funds	20
Statement of Revenues, Expenses, and Changes in Net Assets	
Business-type Activities – Enterprise Funds	21
Statement of Cash Flows	
Business-type Activities – Enterprise Funds	22
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	24
Notes to Financial Statements	25
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	35
Major Funds	37
Individual Fund Statements	
Combining Financial Statements	
Non-Major Governmental Funds	
Balance Sheet	42
Statement of Revenues, Expenditures and Changes in Fund Balances	46

	<u>Page</u>
General Fund	
Comparative Balance sheet	49
Comparative Statement of revenues, expenditures and fund balances - budget and actual	50
Fiduciary Funds	
Agency Funds – Statements of Changes in Assets and Liabilities	52
Schedule of indebtedness	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	54

STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738

ALPENA, MICHIGAN 49707

TELEPHONE (989) 356-4531

FACSIMILE (989) 356-0494

Certified Public Accountants

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
TERRENCE D. YULE, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A., C.V.A.
SHANNA M. JOHNSON, C.P.A.
DONALD C. LEVREN

TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED
GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Presque Isle Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Presque Isle Township, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Presque Isle Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Presque Isle Township, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Presque Isle Township, Michigan's basic financial statements. The accompanying combining and individual financial statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The combining and individual financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Straley, Ilsley & Lamp P.C.

December 8, 2005

Presque Isle Township Management's Discussion and Analysis

As management of the Township of Presque Isle, Michigan, we offer readers of the Township of Presque Isle, Michigan financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and related footnotes which follow this report.

Financial Highlights

- The assets of the Township of Presque Isle exceeded its liabilities at the close of the most recent fiscal year by \$2,064,475 (*net assets*). Of this amount, \$323,074 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township of Presque Isle's total net assets decreased by \$161,285. This was the result of a payment of \$180,000 to the Presque Isle County Road Commission for the Parallel Road project.
- The Township of Presque Isle provided services of \$754,483 in governmental activities and \$24,260 of business-type activities for expenses totaling \$778,743 during the year ended June 30, 2005.
- At the close of the fiscal year, the Township of Presque Isle's governmental funds reported a combined ending fund balance of \$1,044,366 with \$752,112 reserved for specific purposes, and \$292,254 available as unrestricted fund balances.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$280,434 or 97 percent of total general fund expenditures and transfers to other funds in comparison to \$255,401 at the close of the prior year, an increase of \$25,033.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Presque Isle Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)
Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Presque Isle Township Management's Discussion and Analysis

(Required Supplemental Information)

Budgetary information for General Fund,
and Major Funds

Other Supplemental Information

Individual Fund Statements

Reporting the Township as a Whole – Government-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information about the Township as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the Township's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our taxpayers, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided to assess the overall health of the Presque Isle Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, recreation and culture and debt service. Property taxes, and state revenue sharing finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township may establish other funds to help it control and manage money for a particular purpose (the Road Special Assessment Funds, Planning and Long-Range Recreation funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the Township use the following accounting approach:

Governmental Funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

Presque Isle Township Management's Discussion and Analysis

The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The Township as Trustee – Reporting the Township's Fiduciary Responsibilities

The Township is a trustee, or fiduciary, for its collection of taxes. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the Township's other financial statement because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of June 30, 2004:

TABLE 1

Township of Presque Isle's, Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,743,666	\$ 2,041,127	\$ 30,820	\$ 49,317	\$ 1,774,486	\$ 2,090,444
Capital assets	575,624	594,172	338,226	318,551	913,850	912,723
Total assets	<u>2,319,290</u>	<u>2,635,299</u>	<u>369,046</u>	<u>367,868</u>	<u>2,688,336</u>	<u>3,003,167</u>
Current liabilities	168,861	172,407	-	-	168,861	172,407
Noncurrent liabilities	455,000	605,000	-	-	455,000	605,000
Total liabilities	<u>623,861</u>	<u>777,407</u>	<u>-</u>	<u>-</u>	<u>623,861</u>	<u>777,407</u>
Net assets:						
Invested in capital assets, net of related debt	575,624	593,310	338,226	318,551	913,850	911,861
Restricted	827,551	999,056	-	-	827,551	999,056
Unrestricted	<u>292,254</u>	<u>265,526</u>	<u>30,820</u>	<u>49,317</u>	<u>323,074</u>	<u>314,843</u>
Total net assets	<u>\$ 1,695,429</u>	<u>\$ 1,857,892</u>	<u>\$ 369,046</u>	<u>\$ 367,868</u>	<u>\$ 2,064,475</u>	<u>\$ 2,225,760</u>

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$2,064,475 at June 30, 2005. Capital assets, net of related debt totals \$913,850 and compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets \$827,551 is restricted for specific purposes while the balance of \$323,074 was unrestricted.

Presque Isle Township Management's Discussion and Analysis

The \$292,254 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Township to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

TABLE 2

Township of Presque Isle's, Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 54,926	\$ 336,769	\$ 24,739	\$ 18,675	\$ 79,665	\$ 365,444
Operating grants and Contributions	660	-	-	8,200	660	8,200
General revenues:						
Property taxes	411,063	375,778	-	-	411,063	375,778
Sales taxes	114,644	118,217	-	-	114,644	118,217
Investment earnings	10,727	6,392	699	336	11,426	6,728
Total revenues	<u>592,020</u>	<u>837,156</u>	<u>25,438</u>	<u>27,211</u>	<u>617,458</u>	<u>864,367</u>
Expenses:						
General government	158,560	189,627	-	-	158,560	189,627
Public safety	235,991	226,093	-	-	235,991	226,093
Public works	191,174	9,683	-	-	191,174	9,683
Community development	26,108	-	-	-	26,108	-
Parks and recreation	93,510	7,410	24,260	26,585	117,770	33,995
Other	10,197	20,416	-	-	10,197	20,416
Interest on long-term debt	38,943	46,978	-	-	38,943	46,978
Total expenses	<u>754,483</u>	<u>500,207</u>	<u>24,260</u>	<u>26,585</u>	<u>778,743</u>	<u>526,792</u>
Change in net assets	(162,463)	336,949	1,178	626	(161,285)	337,575
Net assets – beginning	<u>1,857,892</u>	<u>1,520,943</u>	<u>367,868</u>	<u>367,242</u>	<u>2,225,760</u>	<u>1,888,185</u>
Net assets – end	<u>\$ 1,695,429</u>	<u>\$ 1,857,892</u>	<u>\$ 369,046</u>	<u>\$ 367,868</u>	<u>\$ 2,064,475</u>	<u>\$ 2,225,760</u>

Presque Isle Township Management's Discussion and Analysis

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$754,483. Certain activities were partially funded from those who benefited from the programs (\$55,586). We paid for the remaining "public benefit" portion of our governmental activities with \$411,063 in taxes, \$114,644 in state revenue sharing and \$10,727 with our other revenues (i.e., interest and other general revenue).

The Township experienced a decrease in net assets of \$(162,463). Key reasons for the change in net assets included payment of \$180,000 to the Presque Isle County Road Commission for the Parallel Road project.

As discussed above, the net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the majority of Township operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

Business-Type Activities

The Township's business-type activities consist of the operation and maintenance of the Old Lighthouse Park. During the year ended June 30, 2005 the park experienced an increase in net assets of \$1,178 and ended the year with Total Net Assets of \$369,046.

The Township's Funds

As we noted earlier, the Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide and may provide more insight into the Township's overall financial health. As the Township completed this year, the governmental funds reported a combined fund balance of \$1,044,366 which is a decrease of \$57,060 from last year. The General Fund balance available to fund general operations costs for services remains stable at \$280,434.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. (A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, the Township had \$575,624 invested in capital assets, including land, land improvements, buildings and improvements, and office equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$18,548 from last year.

**Presque Isle Township
Management's Discussion and Analysis**

TABLE 3

PRESQUE ISLE TOWNSHIP'S, Capital Assets

	<u>2005</u>	<u>2004</u>
Land	\$ 212,300	\$ 212,300
Land Improvements	134,530	134,530
Buildings	314,340	314,340
Building Improvements	37,352	37,352
Office Equipment	<u>18,138</u>	<u>18,138</u>
Total Capital Assets	716,660	716,660
Less Accumulated Depreciation	<u>141,036</u>	<u>122,488</u>
Net Capital Assets	<u><u>\$ 575,624</u></u>	<u><u>\$ 594,172</u></u>

There were no new additions this year. No new debt was issued.

Debt

At the end of this year, the Township had \$605,000 in outstanding bonded debt. During the year ended June 30, 2005 the Township was able to reduce its long term debt obligation by \$150,860.

More detailed information about our long-term liabilities is contained in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our Township Board and administration consider many factors when setting the Township's 2005-06 fiscal year budget. The 2005-06 fiscal year budget was adopted in June 2005 based on property tax, and state revenue estimates available at that time.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Township Clerk, 12653 East Grand Lake Road, Presque Isle, Michigan 49777.

Presque Isle Township

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 965,420	\$ 30,820	\$ 996,240
Receivables (net of allowance for uncollectible accounts)	738,246	-	738,246
Prepaid items	40,000	-	40,000
Noncurrent assets:			-
Capital assets not being depreciated	212,300	-	212,300
Capital assets being depreciated	504,360	372,479	876,839
Accumulated depreciation	(141,036)	(34,253)	(175,289)
Total assets	<u>2,319,290</u>	<u>369,046</u>	<u>2,688,336</u>
LIABILITIES			
Accounts payable	218	-	218
Accrued interest payable	5,328	-	5,328
Due to other governmental units	13,315	-	13,315
Noncurrent liabilities			
Due within one year			
Bonds and loans	150,000	-	150,000
Due in more than one year			
Bonds and loans	455,000	-	455,000
Total liabilities	<u>623,861</u>	<u>-</u>	<u>623,861</u>
NET ASSETS			
Invested in capital assets, net of related debt	575,624	338,226	913,850
Restricted for:			
Road Improvements	717,409	-	717,409
Capital outlay	110,142	-	110,142
Unrestricted	292,254	30,820	323,074
Total net assets	<u>\$ 1,695,429</u>	<u>\$ 369,046</u>	<u>\$ 2,064,475</u>

See accompanying notes to financial statements.

Presque Isle Township

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental activities:				
General government	\$ 158,560	\$ 5,855	\$ -	\$ -
Public safety	235,991	-	660	-
Public works	191,174	48,871	-	-
Community/economic development	26,108			
Parks and recreation	93,510	200	-	-
Other	10,197	-	-	-
Interest on long-term debt	38,943	-	-	-
Total governmental activities	<u>754,483</u>	<u>54,926</u>	<u>660</u>	<u>-</u>
Business-type activities:				
Park	24,260	24,739	-	-
Total business-type activities	<u>24,260</u>	<u>24,739</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 778,743</u>	<u>\$ 79,665</u>	<u>\$ 660</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

State sales tax

Investment earnings

Total general revenues

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (152,705)	\$ -	\$ (152,705)
(235,331)	-	(235,331)
(142,303)	-	(142,303)
(26,108)	-	(26,108)
(93,310)	-	(93,310)
(10,197)	-	(10,197)
(38,943)	-	(38,943)
<u>(698,897)</u>	<u>-</u>	<u>(698,897)</u>
-	479	479
-	479	479
<u>\$ (698,897)</u>	<u>\$ 479</u>	<u>\$ (698,418)</u>
411,063	-	411,063
114,644	-	114,644
10,727	699	11,426
<u>536,434</u>	<u>699</u>	<u>537,133</u>
(162,463)	1,178	(161,285)
1,857,892	367,868	2,225,760
<u>\$ 1,695,429</u>	<u>\$ 369,046</u>	<u>\$ 2,064,475</u>

See accompanying notes to financial statements.

Presque Isle Township

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General Fund	Presque Isle Township Fire #2	East Grand Lake Fire Department
ASSETS			
Cash and cash equivalents	\$ 271,781	\$ -	\$ -
Taxes receivable	8,871	7,376	5,939
Special assessments receivable	-	-	-
Prepaid items	-	-	-
Total assets	<u>\$ 280,652</u>	<u>\$ 7,376</u>	<u>\$ 5,939</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 218	\$ -	\$ -
Due to other governmental units	-	7,376	5,939
Deferred revenue	-	-	-
Total liabilities	<u>218</u>	<u>7,376</u>	<u>5,939</u>
Fund Balances:			
Restricted for:			
Road Improvements	-	-	-
Capital outlay	-	-	-
Unrestricted	280,434	-	-
Total fund balances	<u>280,434</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 280,652</u>	<u>\$ 7,376</u>	<u>\$ 5,939</u>

Road Assessments P.I.H.A.	Road Assessments Parallel Road	Road Assessments P.I.H.A.	Long-Range Recreation	Road Improvements
\$ 330,165	\$ 5,925	\$ -	\$ 20,632	\$ 110,595
26,352	1,860	-	-	-
504,323	102,832	-	-	-
-	-	-	-	40,000
<u>\$ 860,840</u>	<u>\$ 110,617</u>	<u>\$ -</u>	<u>\$ 20,632</u>	<u>\$ 150,595</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
504,323	102,832	-	-	-
<u>504,323</u>	<u>102,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
356,517	7,785	-	-	150,595
-	-	-	20,632	-
-	-	-	-	-
<u>356,517</u>	<u>7,785</u>	<u>-</u>	<u>20,632</u>	<u>150,595</u>
<u>\$ 860,840</u>	<u>\$ 110,617</u>	<u>\$ -</u>	<u>\$ 20,632</u>	<u>\$ 150,595</u>

See accompanying notes to financial statements.

Presque Isle Township

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 226,322	\$ 965,420
Taxes receivable	2,081	52,479
Special assessments receivable	78,612	685,767
Prepaid items	-	40,000
Total assets	<u>\$ 307,015</u>	<u>\$ 1,743,666</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 218
Due to other governmental units	-	13,315
Deferred revenue	78,612	685,767
Total liabilities	<u>78,612</u>	<u>699,300</u>
Fund Balances:		
Restricted for:		
Road Improvements	127,073	641,970
Capital outlay	89,510	110,142
Unrestricted	11,820	292,254
Total fund balances	<u>228,403</u>	<u>1,044,366</u>
Total liabilities and fund balances	<u>\$ 307,015</u>	<u>\$ 1,743,666</u>

See accompanying notes to financial statements.

Presque Isle Township

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

As of June 30, 2005

Fund balances - Total governmental funds		\$	1,044,366
--	--	----	-----------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore not reported in the governmental funds.

Governmental capital assets	\$	716,660	
Less accumulated depreciation		<u>(141,036)</u>	575,624

Deferred revenue in the governmental funds is susceptible to
full accrual on the Statement of Net Assets.

Deferred revenue			685,767
------------------	--	--	---------

Long-term liabilities, including bonds payable are not due and
payable in the current period and therefore are not reported
in the governmental funds.

Bonds payable	(605,000)	
Accrued interest payable	<u>(5,328)</u>	<u>(610,328)</u>

Net Assets of Governmental Activities		\$	<u><u>1,695,429</u></u>
---------------------------------------	--	----	-------------------------

Presque Isle Township

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

June 30, 2005

	General Fund	Presque Isle Township Fire #2	East Grand Lake Fire Department
REVENUES			
Taxes	\$ 171,915	\$ 114,843	\$ 120,051
Special assessments	-	-	-
State revenue	115,304	-	-
Local grant revenue	-	-	-
Investment income and rents	6,431	-	-
Donations	-	-	-
Other	2,608	-	-
Total revenues	<u>296,258</u>	<u>114,843</u>	<u>120,051</u>
EXPENDITURES			
Current operations			
General government	145,219	-	-
Public safety	600	114,843	120,051
Public works	2,815	-	-
Community and economic development	26,108	-	-
Parks and recreation	586	-	-
Other	10,197	-	-
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>185,525</u>	<u>114,843</u>	<u>120,051</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>110,733</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(85,700)	-	-
Total other financing sources (uses)	<u>(85,700)</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	25,033	-	-
FUND BALANCES, beginning of the year	<u>255,401</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of the year	<u>\$ 280,434</u>	<u>\$ -</u>	<u>\$ -</u>

Road Assessments P.I.H.A.	Road Assessments Parallel Road	Road Assessments P.I.H.A.	Long-Range Recreation	Road Improvements
\$ -	\$ -	\$ -	\$ -	\$ -
171,463	96,461	-	-	-
-	-	-	-	-
-	-	-	-	-
1,173	1,134	4	449	459
-	-	-	200	1,331
-	-	-	-	-
172,636	97,595	4	649	1,790
-	-	-	-	-
-	-	-	-	-
-	180,000	-	-	2,000
-	-	-	-	-
-	-	-	87,402	-
-	-	-	-	-
-	-	150,000	-	-
-	-	40,225	-	-
-	180,000	190,225	87,402	2,000
172,636	(82,405)	(190,221)	(86,753)	(210)
-	80,000	190,221	5,000	40,000
(270,221)	-	-	-	-
(270,221)	80,000	190,221	5,000	40,000
(97,585)	(2,405)	-	(81,753)	39,790
454,102	10,190	-	102,385	110,805
\$ 356,517	\$ 7,785	\$ -	\$ 20,632	\$ 150,595

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

June 30, 2005

	Other Governmental Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 4,254	\$ 411,063
Special assessments	18,618	286,542
State revenue	-	115,304
Local grant revenue	-	-
Investment income and rents	2,499	12,149
Donations	-	1,531
Other	1,825	4,433
Total revenues	<u>27,196</u>	<u>831,022</u>
EXPENDITURES		
Current operations		
General government	315	145,534
Public safety	497	235,991
Public works	6,359	191,174
Community and economic development	-	26,108
Parks and recreation	-	87,988
Other	-	10,197
Debt service		
Principal retirement	860	150,860
Interest and fees	5	40,230
Total expenditures	<u>8,036</u>	<u>888,082</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>19,160</u>	<u>(57,060)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	41,565	356,786
Transfers to other funds	(865)	(356,786)
Total other financing sources (uses)	<u>40,700</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	59,860	(57,060)
FUND BALANCES , beginning of the year	<u>168,543</u>	<u>1,101,426</u>
FUND BALANCES , end of the year	<u>\$ 228,403</u>	<u>\$ 1,044,366</u>

See accompanying notes to financial statements.

Presque Isle Township

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005

Net change in fund balances - Total governmental funds	\$	(57,060)
--	----	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	-	
Less current year depreciation		(18,548)	(18,548)

Repayment of bond and land purchase bank loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.

Bond principal payments	150,000	
Land purchase bank loan principal payments	860	150,860

Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Change in deferred revenue	(239,002)
----------------------------	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	1,287
------------------------------------	-------

Change in Net Assets of Governmental Activities	\$	<u>(162,463)</u>
---	----	------------------

Presque Isle Township

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2005

	Business-type Activities Enterprise Funds
	<u>Old Lighthouse Park</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 30,820
Total current assets	<u>30,820</u>
Noncurrent assets	
Capital assets	372,479
Accumulated depreciation	<u>(34,253)</u>
Total noncurrent assets	<u>338,226</u>
Total assets	<u>369,046</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET ASSETS	
Invested in capital assets, net of related debt	338,226
Unrestricted	<u>30,820</u>
Total net assets	<u>\$ 369,046</u>

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2005

	Business-type Activities Enterprise Funds
	Old Lighthouse Park
OPERATING REVENUES	
Charges for services	\$ 24,694
Total operating revenues	<u>24,694</u>
OPERATING EXPENSES	
Contracted services	9,197
Repair & maintenance	1,804
Supplies & other	1,887
Utilities	2,418
Depreciation	8,954
Total operating expenses	<u>24,260</u>
OPERATING INCOME (LOSS)	<u>434</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income and rents	699
Donations	45
Total nonoperating revenues (expenses)	<u>744</u>
Change in net assets	1,178
Net assets - beginning of the year	<u>367,868</u>
Net assets - end of the year	<u><u>\$ 369,046</u></u>

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2005

	Business-type Activities Enterprise Funds
	Old Lighthouse Park
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 24,694
Payments to suppliers	(15,306)
Net cash provided (used) by operating activities	9,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Donations	45
	45
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(28,629)
	(28,629)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	699
Net cash provided (used) by investing activities	699
Net increase (decrease) in cash and cash equivalents	(18,497)
CASH AND CASH EQUIVALENTS, beginning of the year	49,317
CASH AND CASH EQUIVALENTS, end of the year	\$ 30,820

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Continued**

For the Year Ended June 30, 2005

	<u>Business-type Activities Enterprise Funds</u>	<u>Old Lighthouse Park</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 434	
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		<u>8,954</u>
Net cash provided (used) by operating activities	<u>\$ 9,388</u>	
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in the fair value of investments		<u>\$ -</u>

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2005

	Agency Fund - Tax Collection
ASSETS	
Cash and cash equivalents	\$ 3,255
	<u>3,255</u>
LIABILITIES AND FUND LIABILITIES	
Accounts payable	-
Due to other governmental units	<u>3,255</u>
	<u>3,255</u>
NET ASSETS	
Unrestricted	<u>-</u>
	<u>\$ 3,255</u>

See accompanying notes to financial statements.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Presque Isle Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Presque Isle Township:

1. Reporting Entity.

Presque Isle Township is governed by an elected five-member Township Board, composed of the supervisor, the clerk, the treasurer, and two trustees. The Township supervisor acts as the chief administrative and executive officer.

The accompanying financial statements present the government of the Township. Presque Isle Township does not have any component units, entities for which the government is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

General Fund. This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Presque Isle Township Fire #2 and East Grand Lake Fire Department Funds. These funds account for tax levies for the purpose of providing fire protection authorized by a vote of the electors of Presque Isle Township.

Road Assessment Funds. These funds account for the special assessment districts for road improvements of Presque Isle Harbor Association, Esau Heights, and Parallel Road.

Debt Retirement Fund. These funds account for the special assessment districts for debt retirement of Presque Isle Harbor Association.

Long-Range Recreation and Road Improvement Funds. These funds are used to account for funds set aside for future long-range recreation costs of the township.

The government reports the following major proprietary funds:

Old Lighthouse Park. Accounts for the activities related to the operation of the Old Lighthouse Park.

Additionally, the Presque Isle Township reports the following fund types:

Permanent Funds. Report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support operations.

Debt Service Funds. Account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds. These funds are used to account for the acquisition or construction of capital facilities.

Agency Funds. These funds are used to account for assets held in trust or as an agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables. In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items. Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets. Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

- Land improvements 20 years
- Buildings 50 years
- Building Improvements 15 years
- Office Equipment 5 years

Long-Term Obligations. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data / Reclassifications. Comparative total data for the prior year have been presented only in the management discussion and analysis and in the individual fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

Budgets and Budgetary Accounting. Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain taxpayer comments. Prior to June 30, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at June 30, are not carried forward to the following year. Budgeting control is legally maintained at the fund level for all funds except the General Fund which maintains control at the department level.

Budgets are to be prepared on the same basis of accounting as the financial statements. The Township prepared its budgets using the cash basis of accounting.

Individual budget amendments were not material in relation to the original appropriations.

Excess of Expenditures Over Appropriations in Budgeted Funds. The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Presque Isle Township's budgeted and actual expenditures for the funds budgeted have been shown in a functional basis.

During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
General Government			
Elections	\$ 3,000	\$ 3,219	\$ (219)
Assessor	26,000	27,106	(1,104)
Township Hall	16,000	16,698	(698)
Other - payroll	1,200	1,203	(3)
Transfers to other funds	80,400	85,700	(5,300)

Accumulated Fund Deficits. The Presque Isle Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2005.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Presque Isle Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation purchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as stated above.

The Presque Isle Township's deposits and investments are in accordance with statutory authority.

At year end, the Presque Isle Township's deposits and investments were reported in the basic financial statements in statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds
Cash and cash equivalents	<u>\$ 965,420</u>	<u>\$ 30,820</u>	<u>\$ 3,255</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking accounts, savings accounts, and Certificates of Deposit)	<u>\$ 999,495</u>

The Township maintains separate cash accounts for each of its funds. Cash is not pooled. Cash equivalents generally include only investments with original maturities of three months or less.

The Township's cash and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit.

As of June 30, 2005, \$ 798,733 of the Township's demand deposits (certificates of deposit, checking, and savings accounts) with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The township believes that due to the dollar amounts of cash deposits and the preference of depositing township funds at local financial institutions and the limits of federal depository insurance, it is impractical to insure all deposits.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 4--RECEIVABLES.

Receivables for the primary government at June 30, 2005 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Special assessments	\$ 685,769	\$ -	\$ 685,769
Taxes receivable	52,479	-	52,479
	<u>\$ 738,246</u>	<u>\$ -</u>	<u>\$ 738,246</u>

NOTE 5--PROPERTY TAXES.

Property Taxes. Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Presque Isle tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Property in Presque Isle Township for the 2004 levy was assessed at a taxable value of 115,889,047. The Township's general operating rate is currently 1.0 mills with additional mills of 2.0016 for East Grand Lake Fire Department and 2.4999 for Presque Isle Township Fire Department.

By agreement with the County of Presque Isle, delinquent real property taxes are purchased by the County of Presque Isle. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

NOTE 6--CAPITAL ASSETS.

Capital asset activity of the primary government for the current year was as follows:

	Balances June 30, 2004	Additions	(Deletions)	Balances June 30, 2005
Governmental activities:				
Capital assets not being				
Depreciated:				
Land	<u>\$ 212,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,300</u>
Capital assets being				
Depreciated:				
Land improvements	134,530	-	-	134,530
Buildings	314,340	-	-	314,340
Building Improvements	37,352	-	-	37,352
Equipment	<u>18,138</u>	<u>-</u>	<u>-</u>	<u>18,138</u>
	<u>504,360</u>	<u>-</u>	<u>-</u>	<u>504,360</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 6--CAPITAL ASSETS. (continued)

	Balances June 30, 2004	Additions	(Deletions)	Balances June 30, 2005
Allowance for depreciation:				
Land improvements	\$ (27,396)	\$ (6,727)	\$ -	\$ (34,123)
Buildings	(76,718)	(6,287)	-	(83,005)
Buildings and improvements	(10,721)	(2,490)	-	(13,211)
Equipment	(7,653)	(3,044)	-	(10,697)
	<u>(122,488)</u>	<u>(18,548)</u>	<u>-</u>	<u>(141,036)</u>
Net capital assets being Depreciated	<u>381,872</u>	<u>(18,548)</u>	<u>-</u>	<u>363,324</u>
Net governmental capital assets	<u>\$ 594,172</u>	<u>\$ (18,548)</u>	<u>\$ -</u>	<u>\$ 363,324</u>
Business-type activities:				
Capital assets being Depreciated:				
Buildings and improvements	<u>343,850</u>	<u>28,629</u>	<u>-</u>	<u>372,479</u>
	<u>343,850</u>	<u>28,629</u>	<u>-</u>	<u>372,479</u>
Allowance for depreciation:				
Buildings and improvements	<u>(25,299)</u>	<u>(8,954)</u>	<u>-</u>	<u>(34,253)</u>
	<u>(25,299)</u>	<u>(8,954)</u>	<u>-</u>	<u>(34,253)</u>
Net business-type capital assets	<u>\$ 318,551</u>	<u>\$ 19,675</u>	<u>\$ -</u>	<u>\$ 338,226</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 13,026
Parks and recreation	<u>5,522</u>
	<u>18,548</u>
Business-type activities:	
Old Lighthouse Park	<u>\$ 8,954</u>
	<u>\$ 8,954</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 7--LONG-TERM DEBT.

Bond and contractual obligation activity can be summarized as follows:

	Balances, Jun 30, 2004	Additions	(Deductions)	Balances, Jun 30, 2005	Due within one year
Governmental Activities					
General Obligation Bonds:					
2000 Special assessment bonds					
Amount of issue: \$995,000					
Maturing through 2009					
Interest rate ranges - 4.6%-5.4%					
Principal maturity range \$110,000-\$115,000	\$ 555,000	\$ -	\$ (110,000)	\$ 445,000	\$ 110,000
2000 Special assessment bonds					
Amount of issue: \$320,000					
Maturing through 2009					
Interest rate ranges - 5.2%-5.4%					
Principal maturity range \$20,000-\$40,000	200,000	-	(40,000)	160,000	40,000
1999 Installment bank loan					
Amount of issue: \$114,771					
Maturing through 2004					
Interest rate ranges - 5.0%					
Principal maturity range \$800-\$1,200	860	-	(860)	-	-
Total governmental activities	<u>\$ 755,860</u>	<u>\$ -</u>	<u>\$ (150,860)</u>	<u>\$ 605,000</u>	<u>\$ 150,000</u>

The annual requirements to pay principal and interest on long-term debt obligations outstanding at June 30, 2006 through 2009 are as follows:

	Principal	Interest	Total
2006	\$ 150,000	\$ 31,965	\$ 181,965
2007	150,000	24,200	174,200
2008	150,000	16,360	166,360
2009	<u>155,000</u>	<u>8,370</u>	<u>163,370</u>
	<u>\$ 605,000</u>	<u>\$ 80,895</u>	<u>\$ 685,895</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 8--FUND EQUITY RESERVATIONS AND DESIGNATIONS.

Fund equity reservations and designations of the various funds at June 30, 2005 are as follows:

Special Revenue Funds	
Designated for road improvements	
Road assessments – Blue Horizon	\$ 3,515
Road assessments – Hoffman	3,264
Road assessments – P.I.H.A.	356,517
Road assessments – Evergreen/Dault	66,284
Road assessments – Esau Heights	45,342
Road assessments – Bell Bay	8,668
Road assessments – Parallel	<u>7,785</u>
	<u>491,375</u>
Capital Project Funds	
Designated for road improvements	
Road improvements	<u>150,595</u>
Designated for capital outlay	
Capital improvements	89,510
Recreational long-range	<u>20,632</u>
	<u>110,142</u>

NOTE 9--OPERATING TRANSFERS IN AND TRANSFERS (OUT).

	Transfers In	Transfers (Out)
General Fund	\$ -	\$ (85,700)
Special Revenue Funds		
Road assessments – P.I.H.A.	-	(270,221)
Road assessments – Parallel Road	80,000	-
Debt Service Funds		
Township Hall	865	-
Road assessments – P.I.H.A.	190,221	-
Capital Project Funds		
Capital improvements	40,700	(865)
Recreational long-range	5,000	-
Road improvements	<u>40,000</u>	<u>-</u>
	<u>\$ 356,786</u>	<u>\$ (356,786)</u>

The transfers from the General Fund of \$85,700 to Capital Project Funds represents the set-aside of unrestricted resources for future Township projects.

The transfers from the Special Revenue Funds to the Debt Service Funds represents transfers to meet current debt service requirements.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 10--RETIREMENT PLAN.

The Township makes available pension benefits for all of its employees through participation in the *Presque Isle Township Employee Money Purchase Pension Plan*, a defined contribution plan.

The Township's total covered payroll for the fiscal year ended June 30, 2005 was \$96,031, and its total payroll for all employees was \$96,031.

The Township and the employees can contribute up to a combined amount equal to 25% of the employees' annual compensation. Presque Isle Township contributes 6% of annual wages for eligible employees to this plan, while the employees contribute up to 19% of annual wages. Employees are eligible to participate as of the first day of the plan year following the start of employment and must have reached the age of eighteen. The participants' interest is 100% vested upon entering the plan.

For the year ended June 30, 2005, the Township's pension contribution amounted to \$5,690. In addition, employees contributed \$18,018 to the plan.

NOTE 11--POSTRETIREMENT BENEFITS.

Presque Isle Township offers no postretirement benefits in addition to the pension plan to its retirees.

NOTE 12--BUILDING CODE ACTIVITY.

State of Michigan Construction Code Act (Public Act 245 of 1999) requires building code activity to be separated from other general fund activity effective January 1, 2000. Presque Isle County administers all building activity; therefore, the Township does not have any building code activity.

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 255,401	\$ 255,401	\$ 255,401	\$ -
Resources (inflows):				
Taxes	172,220	172,220	171,915	(305)
Licenses and permits	1,500	1,500	250	(1,250)
State revenue	114,660	114,660	115,304	644
Investment income and rents	2,700	2,700	6,431	3,731
Other	500	500	2,358	1,858
Amounts available for appropriation	546,981	546,981	551,659	4,678
Charges to appropriation (outflows):				
General Government				
Township board	29,000	29,000	21,670	7,330
Supervisor	13,500	13,500	13,383	117
Elections	3,000	3,000	3,219	(219)
Assessor	26,000	26,000	27,104	(1,104)
CDM assessing	2,400	2,400	2,400	-
Clerk	13,500	13,500	13,097	403
Payroll administration	1,200	1,200	1,203	(3)
Office personnel	10,000	10,000	4,329	5,671
Board of review	1,500	1,500	1,094	406
Treasurer	21,000	21,000	19,030	1,970
Summer tax collection	13,500	13,500	10,205	3,295
Township hall	16,000	16,000	16,698	(698)
Office improvements	10,000	10,000	9,579	421
Cemetery	2,500	2,500	2,208	292
	163,100	163,100	145,219	17,881
Public safety				
Liquor inspection	600	600	600	-
H.U.N.T.	1,000	1,000	-	1,000
	1,600	1,600	600	1,000
Public works				
Street lighting	3,500	3,500	2,815	685
	3,500	3,500	2,815	685
Community and economic development				
Zoning and appeals board	13,500	13,500	12,949	551
Planning commission	15,000	15,000	13,159	1,841
	28,500	28,500	26,108	2,392

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Charges to appropriation (continued)				
Parks and recreation				
Library	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Parks/Recreation	1,500	1,500	586	914
	<u>2,500</u>	<u>2,500</u>	<u>586</u>	<u>1,914</u>
Other				
Insurance and bonds	10,000	10,000	9,125	875
Miscellaneous	1,980	1,980	1,072	908
	<u>11,980</u>	<u>11,980</u>	<u>10,197</u>	<u>1,783</u>
Transfers to other funds	<u>80,400</u>	<u>80,400</u>	<u>85,700</u>	<u>(5,300)</u>
Total charges to appropriations	<u>291,580</u>	<u>291,580</u>	<u>271,225</u>	<u>20,355</u>
Budgetary fund balance, June 30	<u>\$ 255,401</u>	<u>\$ 255,401</u>	<u>\$ 280,434</u>	<u>\$ 25,033</u>

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS**

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
PRESQUE ISLE TOWNSHIP FIRE #2				
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	-	114,843	114,843	-
Amounts available for appropriation	-	114,843	114,843	-
Charges to appropriation (outflows):				
Public Safety	-	114,843	114,843	-
Total charges to appropriations	-	114,843	114,843	-
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ -
EAST GRAND LAKE FIRE DEPARTMENT				
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	-	120,051	120,051	-
Amounts available for appropriation	-	120,051	120,051	-
Charges to appropriation (outflows):				
Public Safety	-	120,051	120,051	-
Total charges to appropriations	-	120,051	120,051	-
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ -

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS**

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
ROAD ASSESSMENTS P.I.H.A.				
Budgetary fund balance, July 1	\$ -	\$ 454,102	\$ 454,102	\$ -
Resources (inflows):				
Special assessments	-	171,463	171,463	-
Investment income and rents	-	-	1,173	1,173
Amounts available for appropriation	-	625,565	626,738	1,173
Charges to appropriation (outflows):				
Transfer to other funds	-	270,221	270,221	-
Total charges to appropriations	-	270,221	270,221	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 355,344</u>	<u>\$ 356,517</u>	<u>\$ 1,173</u>
ROAD ASSESSMENTS PARALLEL ROAD				
Budgetary fund balance, July 1	\$ -	\$ 10,190	\$ 10,190	\$ -
Resources (inflows):				
Special assessments	-	96,461	96,461	-
Investment income and rents	-	-	1,134	1,134
Transfer from other funds	-	-	80,000	80,000
Amounts available for appropriation	-	106,651	187,785	81,134
Charges to appropriation (outflows):				
Public works	-	180,000	180,000	-
Total charges to appropriations	-	180,000	180,000	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ (73,349)</u>	<u>\$ 7,785</u>	<u>\$ 81,134</u>

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS**

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
ROAD ASSESSMENTS P.I.H.A.				
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Special assessments	-	-	-	-
Investment income and rents	-	4	4	-
Transfer from other funds	-	190,221	190,221	-
Amounts available for appropriation	-	190,225	190,225	-
Charges to appropriation (outflows):				
Debt service	-	190,225	190,225	-
Total charges to appropriations	-	190,225	190,225	-
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ -
LONG RANGE RECREATION				
Budgetary fund balance, July 1	\$ -	\$ 102,385	\$ 102,385	\$ -
Resources (inflows):				
Special assessments	-	-	-	-
Investment income and rents	-	-	449	449
Donations	-	-	200	200
Transfer from other funds	-	5,000	5,000	-
Amounts available for appropriation	-	107,385	108,034	649
Charges to appropriation (outflows):				
Recreation and culture	-	87,402	87,402	-
Total charges to appropriations	-	87,402	87,402	-
Budgetary fund balance, June 30	\$ -	\$ 19,983	\$ 20,632	\$ 649

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS**

Year Ended June 30, 2005

ROAD IMPROVEMENTS						
Budgetary fund balance, July 1	\$	-	\$ 110,805	\$ 110,805	\$	-
Resources (inflows):						
Investment income and rents		-	-	459		459
Donations		-	-	1,331		1,331
Transfer from other funds		-	40,000	40,000		-
Amounts available for appropriation		-	150,805	152,595		1,790
Charges to appropriation (outflows):						
Public works		-	2,000	2,000		-
Total charges to appropriations		-	2,000	2,000		-
Budgetary fund balance, June 30	\$	-	\$ 148,805	\$ 150,595	\$	1,790

Presque Isle Township

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Planning	Road Assessments Blue Horizon	Road Assessments Hoffman
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,209	\$ 3,189
Taxes receivable	-	306	75
Special assessments receivable	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,515</u>	<u>\$ 3,264</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Fund Balances:			
Restricted for:			
Road Improvements	-	3,515	3,264
Capital outlay	-	-	-
Unrestricted	-	-	-
Total fund balances	<u>-</u>	<u>3,515</u>	<u>3,264</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,515</u>	<u>\$ 3,264</u>

Road Assessments Evergreen/ Dault	Road Assessments Esau Heights	Road Assessments Bell Bay	Township Hall	Capital Improvements	Cemetary
\$ 65,827	\$ 44,220	\$ 8,547	\$ -	\$ 89,510	\$ 11,820
457	1,122	121	-	-	-
30,652	45,334	2,626	-	-	-
<u>\$ 96,936</u>	<u>\$ 90,676</u>	<u>\$ 11,294</u>	<u>\$ -</u>	<u>\$ 89,510</u>	<u>\$ 11,820</u>
\$ 30,652	\$ 45,334	\$ 2,626	\$ -	\$ -	\$ -
30,652	45,334	2,626	-	-	-
66,284	45,342	8,668	-	-	-
-	-	-	-	89,510	-
-	-	-	-	-	11,820
<u>66,284</u>	<u>45,342</u>	<u>8,668</u>	<u>-</u>	<u>89,510</u>	<u>11,820</u>
<u>\$ 96,936</u>	<u>\$ 90,676</u>	<u>\$ 11,294</u>	<u>\$ -</u>	<u>\$ 89,510</u>	<u>\$ 11,820</u>

Presque Isle Township

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Total Nonmajor Governmental Funds
ASSETS	
Cash and cash equivalents	\$ 226,322
Taxes receivable	2,081
Special assessments receivable	78,612
Total assets	<u>\$ 307,015</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Deferred revenue	<u>\$ 78,612</u>
Total liabilities	<u>78,612</u>
 NET ASSETS	
Fund Balances:	
Restricted for:	
Road Improvements	127,073
Capital outlay	89,510
Unrestricted	11,820
Total fund balances	<u>228,403</u>
Total liabilities and fund balances	<u>\$ 307,015</u>

Presque Isle Township

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Planning	Road Assessments Blue Horizon	Road Assessments Hoffman
REVENUES			
Taxes	\$ -	\$ 3,204	\$ 1,050
Special assessments	-	-	-
Investment income and rents	1	94	58
Other	-	-	-
Total revenues	<u>1</u>	<u>3,298</u>	<u>1,108</u>
EXPENDITURES			
Current operations			
General government	-	-	-
Public safety	497	-	-
Public works	-	5,604	755
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>497</u>	<u>5,604</u>	<u>755</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(496)</u>	<u>(2,306)</u>	<u>353</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers (to) other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(496)	(2,306)	353
FUND BALANCES, beginning of the year	<u>496</u>	<u>5,821</u>	<u>2,911</u>
FUND BALANCES, end of the year	<u>\$ -</u>	<u>\$ 3,515</u>	<u>\$ 3,264</u>

Road Assessments Evergreen/ Dault	Road Assessments Esau Heights	Road Assessments Bell Bay	Township Hall	Capital Improvements	Cemetary
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,653	10,398	567	-	-	-
504	176	30	-	1,451	185
-	-	-	-	-	1,825
<u>8,157</u>	<u>10,574</u>	<u>597</u>	<u>-</u>	<u>1,451</u>	<u>2,010</u>
-	-	-	-	-	315
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	860	-	-
-	-	-	5	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>865</u>	<u>-</u>	<u>315</u>
<u>8,157</u>	<u>10,574</u>	<u>597</u>	<u>(865)</u>	<u>1,451</u>	<u>1,695</u>
-	-	-	865	40,700	-
-	-	-	-	(865)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>865</u>	<u>39,835</u>	<u>-</u>
8,157	10,574	597	-	41,286	1,695
<u>58,127</u>	<u>34,768</u>	<u>8,071</u>	<u>-</u>	<u>48,224</u>	<u>10,125</u>
<u>\$ 66,284</u>	<u>\$ 45,342</u>	<u>\$ 8,668</u>	<u>\$ -</u>	<u>\$ 89,510</u>	<u>\$ 11,820</u>

Presque Isle Township

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Total Nonmajor Governmental Funds
REVENUES	
Taxes	\$ 4,254
Special assessments	18,618
Investment income and rents	2,499
Other	1,825
Total revenues	<u>27,196</u>
EXPENDITURES	
Current operations	
General government	315
Public safety	497
Public works	6,359
Debt service	
Principal retirement	860
Interest and fees	5
Total expenditures	<u>8,036</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>19,160</u>
OTHER FINANCING SOURCES (USES)	
Transfers from other funds	41,565
Transfers (to) other funds	(865)
Total other financing sources (uses)	<u>40,700</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	59,860
FUND BALANCES, beginning of the year	<u>168,543</u>
FUND BALANCES, end of the year	<u><u>\$ 228,403</u></u>

Presque Isle Township

General Fund

COMPARATIVE BALANCE SHEET

	June 30	
	2005	2004
ASSETS		
Cash and cash equivalents	\$ 271,781	\$ 248,915
Taxes receivable	8,871	8,222
	<u>\$ 280,652</u>	<u>\$ 257,137</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 218	\$ 1,736
Fund Balances		
Unreserved		
Undesignated	280,434	255,401
	<u>\$ 280,652</u>	<u>\$ 257,137</u>

Presque Isle Township

General Fund

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30		
	2005 Budget	2005 Actual	2004 Actual
REVENUES			
TAXES			
Property taxes	\$ 115,800	\$ 115,382	\$ 112,880
Penalties and fees	55,800	55,917	52,036
Other	620	616	616
	<u>172,220</u>	<u>171,915</u>	<u>165,532</u>
LICENSES AND PERMITS			
	1,500	250	-
	<u>1,500</u>	<u>250</u>	<u>-</u>
STATE REVENUE			
State revenue sharing	114,000	114,644	112,222
Liquor license fees	660	660	660
	<u>114,660</u>	<u>115,304</u>	<u>112,882</u>
INVESTMENT INCOME AND RENTS			
Investment income	2,000	5,009	1,834
Rents	700	1,422	939
	<u>2,700</u>	<u>6,431</u>	<u>2,773</u>
OTHER			
Miscellaneous	500	2,358	3,552
	<u>500</u>	<u>2,358</u>	<u>3,552</u>
Total revenues	<u>291,580</u>	<u>296,258</u>	<u>284,739</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Township board	29,000	21,670	25,602
Supervisor	13,500	13,383	12,696
Elections	3,000	3,219	288
Assessor	26,000	27,104	25,950
CDM assessing	2,400	2,400	2,400
Clerk	13,500	13,097	13,056
Payroll administration	1,200	1,203	2,755
Office personnel	10,000	4,329	7,996
Board of review	1,500	1,094	1,129
Treasurer	21,000	19,030	20,103
Summer tax collection	13,500	10,205	10,573
Township hall	16,000	16,698	16,755
Office improvements	10,000	9,579	6,138
Cemetery	2,500	2,208	2,295
	<u>163,100</u>	<u>145,219</u>	<u>147,736</u>

Presque Isle Township

General Fund

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30		
	2005 Budget	2005 Actual	2004 Actual
EXPENDITURES (continued)			
PUBLIC SAFETY			
Liquor inspection	\$ 600	\$ 600	\$ 600
H.U.N.T.	1,000	-	1,000
	<u>1,600</u>	<u>600</u>	<u>1,600</u>
PUBLIC WORKS			
Street lighting	3,500	2,815	2,882
	<u>3,500</u>	<u>2,815</u>	<u>2,882</u>
COMMUNITY AND ECONOMIC DEVELOPMENT			
Zoning and appeals board	13,500	12,949	10,304
Planning commission	15,000	13,159	11,879
	<u>28,500</u>	<u>26,108</u>	<u>22,183</u>
PARKS AND RECREATION			
Library	1,000	-	-
Parks/Recreation	1,500	586	1,888
	<u>2,500</u>	<u>586</u>	<u>1,888</u>
OTHER			
Insurance and bonds	10,000	9,125	9,123
Miscellaneous	1,980	1,072	-
	<u>11,980</u>	<u>10,197</u>	<u>9,123</u>
Total expenditures	<u>211,180</u>	<u>185,525</u>	<u>185,412</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>80,400</u>	<u>110,733</u>	<u>99,327</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds			
Capital improvements	(35,400)	(40,700)	(44,973)
Planning	-	-	(5,353)
Recreational long range	(5,000)	(5,000)	(5,000)
Road improvements	(40,000)	(40,000)	(50,000)
Total other financing sources (uses)	<u>(80,400)</u>	<u>(85,700)</u>	<u>(105,326)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	25,033	(5,999)
FUND BALANCES, beginning of year	<u>255,401</u>	<u>255,401</u>	<u>261,400</u>
FUND BALANCES, end of the year	<u>\$ 255,401</u>	<u>\$ 280,434</u>	<u>\$ 255,401</u>

Presque Isle Township

**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS**

Year Ended June 30, 2005

	Balances, June 30, 04	Additions	Deductions	Balances, June 30, 05
TAX COLLECTION				
ASSETS				
Cash and equivalents	\$ 68	\$ 3,962,494	\$ 3,959,307	\$ 3,255
	<u>\$ 68</u>	<u>\$ 3,962,494</u>	<u>\$ 3,959,307</u>	<u>\$ 3,255</u>
LIABILITIES				
Due to governmental units	\$ 68	\$ 3,962,494	\$ 3,959,307	\$ 3,255
	<u>\$ 68</u>	<u>\$ 3,962,494</u>	<u>\$ 3,959,307</u>	<u>\$ 3,255</u>

Presque Isle Township

SCHEDULE OF INDEBTEDNESS

June 30, 2005

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
GENERAL LONG-TERM DEBT ACCOUNT GROUP				
County of Presque Isle,	5.15%	2005/06	\$ 110,000	\$ 23,425
State of Michigan	5.20%	2006/07	110,000	17,760
2000A Special Assessment	5.30%	2007/08	110,000	12,040
Road Bonds	5.40%	2008/09	115,000	6,210
Date of Issue: April 1, 2000				
Amount of Issue: \$995,000			445,000	59,435
County of Presque Isle,	5.25%	2005/06	40,000	8,540
State of Michigan	5.30%	2006/07	40,000	6,440
2000B Special Assessment	5.40%	2007/08	40,000	4,320
Road Bonds	5.40%	2008/09	40,000	2,160
Date of Issue: June 1, 2000				
Amount of Issue: \$320,000				
			160,000	21,460
Total Long-Term Debt			<u>\$ 605,000</u>	<u>\$ 80,895</u>

STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738

ALPENA, MICHIGAN 49707

TELEPHONE (989) 356-4531

FACSIMILE (989) 356-0494

Certified Public Accountants

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
TERRENCE D. YULE, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A., C.V.A.
SHANNA M. JOHNSON, C.P.A.
DONALD C. LEVREN

TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED
GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

To the Township Board
Presque Isle Township, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Presque Isle Township**, as of and for the year ended June 30, 2005, which collectively comprise the **Presque Isle Township's** basic financial statements and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Presque Isle Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Presque Isle Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Straley, Ilsley & Lamp P.C.

December 8, 2005

STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738

ALPENA, MICHIGAN 49707

TELEPHONE (989) 356-4531

FACSIMILE (989) 356-0494

Certified Public Accountants

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
TERRENCE D. YULE, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A., C.V.A.
SHANNA M. JOHNSON, C.P.A.
DONALD C. LEVREN

RETIRED

TAX, AUDIT AND BUSINESS CONSULTANTS

GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

December 8, 2005

To the Township Board
Presque Isle Township
Presque Isle County, Michigan

We have audited the financial statements of the Presque Isle Township, Michigan for the year ended June 30, 2005, and have issued our report thereon dated December 8, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 1, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors may exist and not be detected by us.

As part of our audit, we considered the internal control of the Presque Isle Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Presque Isle Township's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Presque Isle Township are described in Note 1 to the financial statements. Presque Isle Township adopted Statement of Government Accounting Standards (GASB Statement) No. 34, Basic Financial Statements – and Management's Discussion and Analysis, during the year ending June 30, 2004. GASB No. 34 focuses on government-wide financial statements rather than fund groups. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the useful lives of fixed assets for depreciation purposes is based on historical information and industry estimates. We evaluated the assumptions used to develop depreciation expense in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Presque Isle Township's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicated matters that could have a significant effect on the Presque Isle Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Presque Isle Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Reportable Conditions

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic of financial statements. We discovered no reportable conditions that should be reported to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

Other Matters

Recent Pronouncements. The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Presque Isle Township maintains its financial records:

A. GASB Statement No. 47 - Accounting for Termination Benefits. This statement establishes accounting standards for termination benefits. In financial statements prepared on an accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The requirements of this statement are effective for financial statements of the Presque Isle Township for the year ended June 30, 2006.

B. GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation. This statement clarifies that a legally enforceable enabling legislation restriction is one that a government is required to disclose the portion of net total assets that is restricted. The requirements of this statement are effective for financial statements of the Township for the year ended June 30, 2006.

C. GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the Township to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the Township for the year ended June 30, 2008.

We with to thank the staff of the Presque Isle Township for their assistance during the audit.

This report is intended solely for the information and use of the Board of Presque Isle Township, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by Presque Isle Township, is a matter of public record.

We appreciate the opportunity to serve Presque Isle Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Straley, Ilsley & Lamp P.C.